

Accountancy Review

**Tennessee State Board of Accountancy
Department of Commerce and Insurance**

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New Accountancy Law and Rules in effect as of October 1, 1998

The Legislature passed the new Accountancy Act of 1998, effective October 1, 1998.

The major changes are as follows:

- On October 1, 1998, all two-tiered certificate holders were converted to an active status. The two-tiered status is now obsolete in our system. Those who do not want to hold an active certificate can submit an affidavit to be put into an inactive status.
- Inactive certificate holders are no longer required to obtain CPE.
- Tennessee has adopted the Notification of Intent to Practice Public Accountancy in Tennessee process.

This will affect individuals and firms licensed in other states who want to practice in Tennessee. If you are currently an active certificate holder in another state, in good standing, and work in a CPA firm, you may come into the State of Tennessee and do work under the Notification process. Contact the National Association of State Boards of Accountancy (NASBA) for the proper application and fee at (615) 880-4200 or click [Credential Net/NASBA](#)

The new Law and Rules are available on the internet and are scheduled to be available in print around the first of the year.

The following links will connect you to the Law and Rules:

- [Lexis Law Publishing](#) publishes Tennessee Code Annotated. This is the only company authorized to publish the Accountancy Law on the Internet. To locate the Accountancy Law once you have entered Lexis Law Publishing's website, first click on [Tennessee Code](#). Then you will need to scroll down until you find [Title 62](#), which contains the law for Professions, Businesses and Trades. Our law is Chapter 1, 'Accountants.'
- [Tennessee Secretary of States Office](#) publishes the Rules for all of the Regulatory Boards in Tennessee. This is a direct link to the Rules of the Tennessee State Board of Accountancy.

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Press Release: Continuing Professional Education

Continuing Professional Education (CPE) is audited annually by the Board. Approximately 20% of the active licensees are audited each year. CPE is required of all active licensees in the amount of 80 hours each two-year period with a minimum of 20 hours in each year. Of the 80 hours required each two-year period, 40 hours must be in technical subjects--accounting, auditing, tax, management advisory services and/or computer science courses. Carry over of credits is allowed with 40 hours maximum to be carried over each two-year period. Also, carry over hours do not satisfy the 20-hour per year minimum requirement. CPE course sponsors are required to issue a certificate of completion for each individual in attendance stating the date, subject matter, and the number of CPE/CEU credits earned. Self-study Continuing Professional Education (CPE) is acceptable at a rate of 100%. However, effective July 1, 1999, all self-study course sponsors except the Tennessee Society of CPAs (TSCPA) and the American Institute of CPAs (AICPA) must undergo Quality Assurance testing by the National Association of State Boards of Accountancy (NASBA) to have their courses approved. **Do not take self-study courses from any sponsor that has not undergone the QAS evaluation program by NASBA.** Reading journals of accountancy, the Tennessee Journal, or materials from CPE Direct are accepted as credit for CPE. However, those credits are limited to 20% of the total CPE each two-year period, which limits reading credits to 16 credits of CPE per two-year period.

A little reminder: Unsure of CPE credit? See if the brochure has a NASBA emblem or contact the Board!!

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Press Release: License Status

CPA licensees in the State of Tennessee are allowed the opportunity of three basic statuses for their certificate. The primary status for a certificate holder is active. Active status requires that the licensee complete 80 hours of CPE each two-year period and requires the licensee to pay a licensing fee of \$100.00 every two years to the State Board, and a Professional Privilege Tax of \$200.00 per year to the Tennessee Department of Revenue. Active licensees who wish to hold out and use their CPA credential in servicing the public must practice in a registered CPA firm. The second status Tennessee offers their licensees is inactive status. An individual who wishes to place their certificate into inactive status must not be practicing public accounting in a public accounting firm. Inactive licensees are not allowed to issue financial reports or use their CPA credentials to practice before the public in areas of financial reporting, tax services, management advisory services or consulting services. Any time an inactive licensee uses his or her CPA credential in the private industry, the term "inactive" must be indicated beside the CPA logo. Once a licensee is inactive, he or she is no longer subject to the CPE requirement or the Professional Privilege Tax. However, if the individual decides to return to active status, he or she must complete 80 hours of CPE in technical subjects within the immediately proceeding two-year period. Additionally, Tennessee has a third status for retired individuals. Once an individual reaches the age of 55, he or she can retire from industry and/or public accounting practice and ask that their certificate be placed in retired status. However, retired status does not just indicate that the individual has reached the age of 55. The individual must actually be retired from practicing. Also, once a licensee reaches the age of 70, he or she is no longer subject to the \$100.00 license fee if they are retired and furnish the Board with their date of birth. This status is called 'Retired-without-certificate,' which means the Board no longer maintains any contact with this individual. Contact the State Board if you have any questions regarding these statuses.

A reminder for all college students and professors :

A change occurred in the Education requirements to sit for the CPA exam in Tennessee effective for 1999 exam candidates. The 150-semester hour requirement continues, but the 30 hours in accounting and the 30 hours in business courses were reduced to 24 hours each. Additionally, the requirement of 6 hours in auditing courses and 6 hours in taxation courses was dropped. Graduate hours still count at a rate of 150% for each hour attained. A Bachelor's Degree from an approved four-year College or University is still required. These changes took effect October 1, 1998, when the Accountancy Act of 1998 was approved. If you are in doubt about the courses that you have taken, please contact the Tennessee State Board of Accountancy or send a copy of your transcript to be evaluated. To obtain an application to sit for the CPA examination in Tennessee please call 1-800-CPA-EXAM.

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Press Release: Reciprocity

If you have a license issued from another state, you can usually obtain a reciprocal from the state of Tennessee. However, you must be evaluated based on Tennessee's law. An individual transferring to Tennessee from another state with a new physical residence in Tennessee cannot use the license from the other state in Tennessee, ie: if you are a Kentucky CPA that does not allow you to practice accounting in Tennessee as a CPA until you are issued a license by the state of Tennessee. In order to obtain a reciprocal, one must apply for reciprocity with the Board transferring their exam and experience information to the Tennessee Board. It is necessary that one meet the 150-semester hour requirement and have one year of experience to obtain a license in Tennessee. However, there is an exception to this process in

that an individual, after passing the exam and obtaining four years of experience, which is notarized by a licensee of this or another state, will be able to obtain a reciprocal license as well. Tennessee also has a substantial equivalency provision in that a licensee that does not wish to take up new residence in Tennessee but only wishes to practice part time in the state of Tennessee can undergo a notification process through the National Association of State Boards of Accountancy (NASBA) and be allowed to practice in Tennessee periodically. The firm need not register, but the individual must register. The individual also must agree in the notification application that he or she will comply with the laws and rules of the state of Tennessee. The fee for this is approximately \$100.00 for the first two years with a renewal of \$35.00 every other year thereafter. The licensee must be substantially equivalent to Tennessee's requirements in that they must have completed 150 semester hours of college education, passed the CPA exam, passed an ethics exam and obtained at least one year of experience as approved by the Board. If they cannot meet the 150-semester hour requirement, they would need to have four years of experience after passing the CPA exam within the last 10 years.

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Press Release: Fourth Level of Reporting

Assembly service, the fourth level of financial reporting, has recently been enacted by the State of Florida, but currently is not acceptable in the State of Tennessee by licensees of the State Board of Accountancy. No Tennessee CPA is allowed to issue a report on financial statements without issuing an audit report letter, a review report letter or a compilation report letter accompanying those financial statements. Tennessee law enacted October 1, 1998 provides that all three levels of reporting by CPAs in Tennessee (audits, reviews, and compilations) are attest services. Specific reports coming under assembly services as are now authorized by the State of

Florida are not acceptable in Tennessee or any other state at the present time. Tennessee included compilations in what it describes as attest services.

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Press Release: Peer Review

All CPA firms that issue reports on financial statements, whether an audit, a review or a compilation, are required to have a peer review once every three years. Those peer reviews can be preformed either through the Tennessee Society of Certified Public Accountants (TSCPA) peer review program or the Tennessee State Board of Accountancy's (TSBA) firm on firm review process. Both of these programs require that the firm on which the review is being preformed pay for the review. The State Board program allows for on-site or off-site reviews, but off-site reviews are limited to review or compilation reports. Audit, review and compilation reports are considered attest engagements. There is no provision for the proposed fourth level of reporting that is currently being discussed by the AICPA. The Board has previously indicated that if assembly services are ever allowed those will also be subject to the peer review program in Tennessee. It is not anticipated at this time, that the current Board will approve this fourth level of reporting.

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Renewal Checklist

By the end of November, the Board will have mailed certificate and firm renewal forms to more than 9,000 Tennessee CPAs. By carefully reading the instructions on the renewal forms and by following the checklist below, you can ensure that your completed renewal form is received by the Board prior to the December 31, 1999 deadline.

Does the Board have your correct mailing address and phone number? TCA 62-1-125 requires that all certificate holders notify the Board in writing within 30 days of any change in address (including telephone number) or business location. If the Board does not have your current address, you won't receive a renewal form, which in turn leads to administrative closure of your certificate for failure to renew.

If you do not receive a renewal form by December 15, 1999, please contact Debbie Parker or Dan Syriac, CPA Licensing Coordinators, or Leona Holston, Firm Permit Coordinator, at (615) 741-2550 so a replacement form can be mailed or faxed to you.

Did you follow the renewal form instructions and properly complete each section of the form? Most of the time, renewal forms can be processed without any problem. However, because the renewal form is considered a legal document, the Board staff cannot insert missing information, correct inaccurate information or process a form that has not been signed by the licensee. **Consequently, the form must be returned to you for correction and/or completion.**

If you have questions about the renewal process that are not answered by the instructions, you may contact the Board for clarification or explanation.

Did you accurately calculate and report your Continuing Professional Education (CPE) hours? Active, odd-numbered certificate holders who were newly licensed between January 1, 1997 and December 31, 1997, or currently held an active certificate must have completed at least 80

hours of CPE by December 31, 1999, with a minimum of 20 hours per year for 1998 and 1999. Active, odd-numbered certificate holders who were newly licensed between January 1, 1998 and December 31, 1998, must report at least 40 hours of CPE for 1999.

Please note that effect October 1, 1998, inactive certificate holders are no longer required to obtain CPE.

Did you enclose the \$100 CPA certificate renewal fee and/or the \$50 firm permit renewal fee with your form(s)?

You may pay the renewal fees by submitting a check or money order made payable to the Tennessee State Board of Accountancy. The Board cannot cash a check made payable to any other entity, including the Tennessee Society of CPAs (TSCPA); therefore the renewal form cannot be processed because it is incomplete.

If a check fails to clear the bank, the renewal form is considered incomplete and will be returned to the licensee.

Did you mail your renewal well in advance of the December 31, 1999 deadline? Licensees who do not submit a properly completed renewal form and the appropriate renewal fee by December 31, 1999, will be charged a 100 percent penalty for late filing. Those who have not renewed by March 31, 1999 will be considered delinquent and will be assessed a penalty of \$200.00.

Don't let time slip away from you--complete and submit your renewal form as soon as possible. If you have questions about the renewal process, please contact the Board at (615) 741-2550.

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